



31 May 2006

## Cost of Living Allowance for FY 2007

1. In January and February 2006, Servicemembers throughout Korea participated in the OCONUS Cost of Living Allowance (COLA) Survey. The results of the survey demonstrated that while the cost of goods and services in Korea increased during the preceding 12 months, the cost of comparable goods and services in CONUS increased at an even greater rate during the same time period. The significant point is that even though prices in Korea remain higher than prices in CONUS, the difference between the two is smaller today than it was a year ago. Because COLA is intended to compensate for the cost difference between Korea and CONUS, the Department of Defense (DOD) will, in accordance with law and DOD regulations, adjust our COLA which will result in an overall decrease.

- This fall, Servicemembers in Korea will see a downward adjustment in their COLA authorization. The COLA adjustment will vary based on duty location with the smallest decrease in Seoul (10%) and the largest in Daegu (16.7%). To lessen the financial impact on Servicemembers and their families, these adjustments will occur in two phases: half on 1 October 2006 and half on 1 November 2006.
- The purpose of this message is threefold: first, to inform all of our Servicemembers of the COLA adjustment so that they are aware of and can plan for the upcoming adjustment in total pay; second, to explain what COLA is; and third, to explain the critical role surveys play in ensuring our Servicemembers receive the right amount of COLA.

2. The bottom line is that COLA improves the quality of life of our Servicemembers and their families by adding dollars to their take-home pay each month. COLA is a non-taxable allowance designed to strengthen our Servicemembers' purchasing power by compensating them for the difference between the cost of living in Korea and the cost of living in CONUS. To determine the appropriate amount of COLA, DOD regularly conducts surveys in Korea and in CONUS to compare the costs of common goods and services purchased off post. DOD then uses the results of these surveys as one set of criteria to set the COLA for each Korea location.

- Several factors impact our COLA rate. These factors include the Korean Won exchange rate, Servicemember and family member shopping patterns, prices of items throughout our communities, duty location, and accompanied status.
- Surveys are the regulatory tools used to determine shopping patterns and prices in communities, and to ensure COLA is set at levels authorized by law. The survey results establish the index that indicates how much COLA is paid. Through your leadership and engagement, 13,045 people responded to the

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online survey, reporting what they buy and where they buy it. This was a tremendous response. Appointed representatives from the community then collected prices at locations from the survey to establish price levels in each community. These price levels are then compared against CONUS price levels of similar goods and services for military families. The COLA compensates Servicemembers for the difference in these price levels.

- Servicemembers can look up their COLA rate at <https://secureapp2.hqda.pentagon.mil/perdiem/ocform.html>. A decrease in COLA indicates that the gap between CONUS and OCONUS prices has narrowed. In this instance this does not mean that prices in Korea have declined, but that they increased at a slower rate than the prices in the United States. More information about COLA and the changes can be found at <https://secureapp2.hqda.pentagon.mil/perdiem>. Clicking on Overseas COLA, and again on COLA INDEXES will lead to the published index rates.

3. The Korean Won exchange rate also affects the Servicemember's purchasing power for the portion of shopping conducted off post. Consequently, the exchange rate is reviewed twice each month to ensure that COLA retains its intended level of purchasing power. Changes in the exchange rate drive adjustments in COLA. When the won strengthens, it lessens the purchasing power of the dollar and could drive an increase in COLA. Correspondingly, when the won weakens, it increases the purchasing power of the dollar and could drive a decrease in COLA. That is why we see continuous and periodic changes to our COLA throughout the year.

4. It is important that we get the word out now to all Soldiers, Sailors, Airmen, and Marines, so they can plan for this adjustment in total pay. We will continue to conduct surveys required by regulation to ensure DOD implements COLA adjustments fairly and properly. Leaders must continue to emphasize the importance of COLA surveys throughout their organizations. Supporting these surveys is the only way to ensure that our military personnel continue to get the COLA they need and so richly deserve. We will ensure that you know and have an opportunity to participate in the next round of surveys. Only through your participation can we ensure that our Servicemembers and families receive the maximum amount of COLA authorized by law and regulation. POC for COLA information in Korea is the Finance Policy Division, 175<sup>th</sup> Financial Management Center. You can reach them by phone at 725-3201, by email at [shawn.anderson@korea.army.mil](mailto:shawn.anderson@korea.army.mil), or by visiting their website at <http://175fincom.korea.army.mil>.

We Go Together!



B. B. BELL  
General, US Army  
Commander

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